



Saskatchewan
Finance

Annual Report 1998-99

Judges of the Provincial Court Superannuation Plan



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Saskatchewan
Finance

His Honour, The Honourable J. E. N. Wiebe, KStJ
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Sir:

Letter of Transmittal

I have the honour to transmit herewith the twenty-first Annual Report of the Judges of the Provincial Court Superannuation Plan for the year ending March 31, 1999.

I have the honour to be, Sir,

Your obedient servant,

A handwritten signature in black ink, appearing to read 'Eric Cline', with a long horizontal line extending to the right.

Eric Cline
Minister of Finance

JUDGES OF THE PROVINCIAL COURT SUPERANNUATION PLAN

INTRODUCTION

Section 27(1) of *The Provincial Court Act* (continued as *The Provincial Court Act, 1998*) established the Judges of the Provincial Court Superannuation Plan to provide pensions to judges employed by the province. Previously pensions had been provided to qualifying judges through *The Magistrates' Courts Act*. Judges appointed at the time the Plan was established had the option of retaining the benefits provided under *The Magistrates' Courts Act*, or opting to contribute to the Plan and earn a pension under *The Provincial Court Act*. For those judges who transferred, service under *The Magistrates' Courts Act* is included as service in the calculation of pensions under *The Provincial Court Act, 1998*.

OPERATION OF THE PLAN

The Plan is credited with contributions paid by judges together with interest earned on the investment of monies in the Plan. Payments may be made out of the Plan for pensions, annuities, supplementary allowances, refunds and interest. Any deficiency in the Plan is paid out of the General Revenue Fund.

Payments of annuities, granted under *The Magistrates' Courts Act*, to retired magistrates or widows of retired magistrates are continued under *The Provincial Court Act, 1998*. The annuities also are considered to be a deficiency in the Plan and are reimbursed by way of a payment from the General Revenue Fund each fiscal year.

The deficiency payment for the period April 1, 1998 to March 31, 1999 amounted to \$1,352,679. Note 4 to the financial statements provides the detail of amounts making up the payment from the General Revenue Fund.

The Judges of the Provincial Court Superannuation Plan is a formula pension plan which provides pensions based on average salary and years of service as a judge or magistrate. *The Magistrates' Courts Act* provided an allowance to qualifying magistrates based on earnings at the time of retirement.

A spouse of a judge in receipt of a pension is entitled to 60% of the judge's pension upon the death of the judge.

CONTRIBUTIONS AND MEMBERSHIP

For the period October 1, 1978 to December 31, 1980, judges contributed 9% of their salary to the Plan. For the period January 1, 1981 to December 31, 1986, judges were required to contribute 9% of their salary to the maximum deductible contribution to a registered pension plan, as allowed by the *Income Tax Act* (Canada) and as amended from time to time. On and after January 1, 1987, judges contribute 5% of their salary.

Contributions to the Plan for the year totalled \$224,629. As at March 31, 1999, 40 judges were contributing to the Plan.

PENSIONS

Annuities paid to retired judges, or their widows, under both *The Magistrates' Courts Act* and *The Provincial Court Act, 1998* totalled \$1,466,017 for the fiscal year 1998-99.

INVESTMENT PERFORMANCE

The Minister of Finance is responsible for holding in trust and investing the monies in the Plan. The Minister has retained Greystone Capital Management Inc. to be the investment manager.

The investment manager makes the day to day decision of whether to buy or sell specific investments in order to achieve the long term investment performance objectives set by the Minister. It is these long term investment performance objectives that are used to assess the performance of the investment manager.

The primary long term investment performance objective for the entire portfolio is to outperform a benchmark portfolio constructed as follows:

<u>Asset Class</u>	<u>Market Index</u>	<u>Weight</u>
Canadian Equities	Toronto Stock Exchange 300 Index	30%
US Equities	Standard & Poors 500 US Stock Index	10%
Non-North American Equities	EAFE Index	10%
Bonds	Scotia Capital Markets Universe Bond Index	45%
Short Term Inv.	91 Day Canadian Treasury Bills	5%
Total:		100%

On behalf of the Minister, the Public Employees Benefits Agency reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over rolling 4 year periods. For the four years ending March 31, 1999, the Plan had an annualized gross rate of return of 16.1%. The investment objective (the return of the benchmark portfolio) was 14.2%.

The Minister has retained Royal Trust as the custodian of the Plan. The custodian is responsible for custody of all financial assets of the Plan (in the name of the Judges of the Provincial Court Superannuation Fund). The custodian settles all investment transactions. The custodian also ensures that investment income (ie. dividends, interest) is collected and provides financial statements for all investment transactions.

The Public Employees Benefits Agency engages the services of an asset consultant to provide advice on the overall management of the Plan's investments and on the measurement of the Plan's performance. James P. Marshall, Inc. provides this service.

CASH FLOW FORECAST

The total cash inflow is the amount of contributions and investment income expected to be received by the pension plan. The total cash outflows is the amount required to pay all pension obligations. Forecast of cash inflows and outflows have been determined using the following long term assumptions:

Interest rate	7%
Inflation	4%
General salary increases	5%

The cash required is the amount by which the cash outflows exceed cash inflows and is forecast to the year 2027.

Year	Cash Inflows	Cash Outflows	Cash Required
1999-2000	\$ 494,834	\$ 1,468,562	\$ 973,728
2000-2001	417,876	1,485,593	1,067,717
2001-2002	324,617	1,597,070	1,272,453
2002-2003	230,724	1,750,205	1,519,481
2003-2004	146,726	1,811,438	1,664,712
Total within 5 years	\$1,614,777	\$ 8,112,868	\$ 6,498,091
Total 5 - 10 years	\$ 634,099	\$10,333,697	\$ 9,699,598
Total 11 - 28 years	\$ 845,899	\$79,956,059	\$79,110,160

ADMINISTRATION

Effective April 1, 1988, expenses of administering the Judges of the Provincial Court Superannuation Plan were charged to the Plan. Previously, these costs were paid out of monies appropriated by the Legislature.

Administration of the Plan is assigned to the Public Employees Benefits Agency of Saskatchewan Finance.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

Administration of the Plan is presently assigned to the Public Employees Benefits Agency of the Department of Finance. Management is responsible for financial administration, administration of the funds and managing of assets.

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada. Management uses internal controls and exercises its best judgement in order that the financial statements reflect fairly the financial position of the Plan.

The present value of annuities is determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events which require approval by management.

The financial statements have been examined by the Provincial Auditor whose report follows.



Brian Smith
Executive Director
Public Employees Benefits Agency



Kent Walde
Director of Pension Programs
Public Employees Benefits Agency

Regina, Saskatchewan
May 12, 1999

**JUDGES OF THE PROVINCIAL COURT
SUPERANNUATION PLAN**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the statement of net assets available for benefits of the Judges of the Provincial Court Superannuation Plan as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 1999 and the changes in the net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelloff

Regina, Saskatchewan
May 12, 1999

Wayne Strelloff, C.A.
Provincial Auditor

STATEMENT 1

**JUDGES OF THE PROVINCIAL COURT SUPERANNUATION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

AS AT MARCH 31

	1999	1998
ASSETS		
Investments		
Due from General Revenue Fund (Notes 6 & 7)	\$ 94,960	\$ 127,385
Cash and short-term investments	730,355	509,766
Bonds and debentures	4,456,103	4,131,404
Equities	3,330,856	3,838,512
Pooled Funds	<u>894,643</u>	<u>455,564</u>
	9,506,917	9,062,631
Receivables (Note 7)		
Employees' contributions	18,631	18,807
Accrued investment income	72,508	66,469
Other	<u>5,660</u>	<u>4,115</u>
Total assets	<u>9,603,716</u>	<u>9,152,022</u>
LIABILITIES		
Accounts Payable (Note 7)	<u>17,973</u>	<u>10,743</u>
Total liabilities	<u>17,973</u>	<u>10,743</u>
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	<u>\$9,585,743</u>	<u>\$9,141,279</u>

See accompanying notes to the financial statements.

STATEMENT 2**JUDGES OF THE PROVINCIAL COURT SUPERANNUATION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****YEAR ENDED MARCH 31**

	1999	1998
INCREASE IN ASSETS		
Investment income		
Interest	\$ 304,951	\$ 285,280
Dividends-Equities	52,822	76,617
Dividends-Pooled Funds	15,079	7,280
Other	<u>2,895</u>	<u>2,124</u>
	375,747	371,301
Market value adjustment	35,824	1,687,300
Contributions by judges	224,629	216,142
Deficiency payment from General Revenue Fund (Note 4)	<u>1,352,679</u>	<u>1,141,115</u>
Total increase in assets	<u>1,988,879</u>	<u>3,415,858</u>
DECREASE IN ASSETS		
Administration expenses (Notes 8 & 10)	78,398	65,384
Superannuation allowances		
Magistrates' Court Act	166,554	185,074
Provincial Court Act	<u>1,299,463</u>	<u>1,067,910</u>
Total decrease in assets	<u>1,544,415</u>	<u>1,318,368</u>
INCREASE IN NET ASSETS	444,464	2,097,490
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>9,141,279</u>	<u>7,043,789</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR - to Statement 1	<u>\$9,585,743</u>	<u>\$9,141,279</u>

See accompanying notes to the financial statements.

JUDGES OF THE PROVINCIAL COURT SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999

1. Description of the Plan

a) General

The Judges of the Provincial Court Superannuation Plan was established on October 1, 1978 under *The Provincial Court Act* (Act) (continued as *The Provincial Court Act, 1998*) to provide defined benefit final average pensions to the Judges of the Provincial Court of Saskatchewan.

The Act also established the Judges of the Provincial Court Superannuation Fund to accumulate all contributions paid by judges, any investment income and payments received from the General Revenue Fund. Pensions, annuities, supplementary allowances, refunds and interest are paid out of the Fund.

Further plan details are contained in the Act, and the related regulations.

b) Administration

The Minister of Finance administers the Judges of the Provincial Court Superannuation Fund and is responsible for the investment of the Fund. Day-to-day administration is provided by the Public Employees Benefits Agency.

c) Funding Policy

Judges contribute 5% of salary each year.

d) Retirement

The normal retirement age is 65. Judges appointed under *The Magistrates' Courts Act* retire at age 70.

e) Pension

The annual pension payable to a superannuated judge is 3% of the average salary received by the judge during the judge's highest three years of salary, multiplied by the total number of years of service for which the judge has contributed. The maximum number of years of service is 23 1/3 years.

f) Refunds of Contributions

A judge who retires, resigns or is removed from office and who is not entitled to receive a pension, is entitled to receive a refund of contributions together with interest.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following policies are considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Short-term investments are recorded at cost which approximates market value.

Pooled funds are recorded based on the quoted market price of the underlying investments, normally the current bid price.

The change in market value of investments during the year is reflected on the financial statements as a market value adjustment.

Fair value approximates the market value of investments.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as Canadian equities, pooled funds, money market securities, and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Canadian Bond Rating Service.

Short-Term Investments

Short term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 4.7% to 4.9% (1998 - 4.5% to 4.9%) and an average term to maturity of 104 (1998 - 34) days. The Plan's investment policy states that investments must meet a minimum investment standard of "R-1", as rated by a recognized credit rating service or "R-2" for Canadian Grain Co's. Other than the Government of Canada, no single issuer represents more than 17.7% (1998 - 20.4%) of the market value of the short term investment portfolio.

Bonds and Debentures

The Plan's investment policy states that corporate bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated corporate bonds cannot exceed 9% of the book value of the total portfolio. As at March 31, 1999, the Plan held 0.9% (1998 - 3.2%) in BBB corporate bonds.

Years to Maturity	1999						1998		
	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	\$ 1,369,365	\$ 197,453	\$ 333,446	\$ 1,900,264	4.5-7.3%	4.5-8.0%	\$ 1,704,102	5.0-9.3%	4.9-9.9%
5 - 10	288,162	430,875	249,580	968,617	5.4-7.4%	5.5-8.8%	1,050,380	5.9-7.5%	6.0-8.0%
Over 10	1,184,687	314,073	108,462	1,587,222	5.3-6.9%	5.5-10.3%	1,376,922	5.5-7.0%	5.5-10.3%
Market Value	\$ 2,822,214	\$ 942,401	\$ 691,488	\$ 4,456,103			\$ 4,131,404		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's equities include common shares that have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective rate is 1.47%.

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation. Foreign equities represent 9.9% (1998 - 10.9%) of the market value of the Plan. All foreign equities are denominated in Canadian dollars.

Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the fund manager.

Foreign equities including foreign pooled funds are limited to 20% of the cost of the investment portfolio and are denominated in Canadian dollars. The Plan's pooled funds are comprised of \$800,996 (1998 - \$363,019) in the Greystone Managed Investments Non-North American Fund and \$93,647 (1998 - \$92,545) in the Greystone Managed Investments Emerging Market Fund.

4. Deficiency Payment from the General Revenue Fund

Section 22 of *The Provincial Court Act, 1998* provides that annuities being paid under *The Magistrates' Courts Act* shall be paid out of the Judges of the Provincial Court Superannuation Fund (Fund). A judge of the Magistrates Court may elect to receive an annuity to which he/she was entitled under *The Magistrates' Courts Act* rather than contributing to the Fund and receiving benefits as determined by *The Provincial Court Act, 1998*. Accordingly, the annuities which are now or will become payable under *The Magistrates' Courts Act* are considered to be a deficiency and the Fund is reimbursed by way of a statutory appropriation from the General Revenue Fund each year. Also considered as a deficiency for administrative purposes are any amounts payable under *The*

Provincial Court Act, 1998 to superannuates which are in excess of an individual's accumulated contributions, and payments from the General Revenue Fund are increased accordingly. In addition, lump sum contributions may be received from the General Revenue Fund to reduce any unfunded liability.

	<u>1999</u>	<u>1998</u>
Deficiencies - <i>The Magistrates' Courts Act</i>	\$ 166,554	\$ 185,074
- <i>The Provincial Court Act</i>	<u>1,186,125</u>	<u>956,041</u>
	<u>\$1,352,679</u>	<u>\$1,141,115</u>

5. Obligations for Pension Benefits

The present value of accrued pension benefits was determined using the projected accrued benefit method pro rated on service and the best estimate assumptions approved by the Public Employees Benefits Agency. An actuarial valuation was made as of December 31, 1996 by William M. Mercer and an extrapolation was made to March 31, 1998 and March 31, 1999.

The actuarial present value of benefits as at March 31 and the principal components of changes in actuarial present values during the year were as follows:

	(in thousands of dollars)	
	<u>1999</u>	<u>1998</u>
Actuarial present value of accrued pension benefits at beginning of year	\$ 32,990	\$ 26,176
Change in liabilities due to Plan amendments *	-	4,742
Interest accrued on benefits	2,339	2,199
Benefits accrued	1,177	1,157
Benefits paid	(1,466)	(1,253)
Adjustments re: indexing - current year **	(24)	(31)
Actuarial present value of accrued pension benefits, end of year	35,016	32,990
Net assets available for benefits	<u>9,586</u>	<u>9,141</u>
Unfunded liability	<u>\$ 25,430</u>	<u>\$ 23,849</u>

* Plan amendments reflect the impact of, the new *The Provincial Court Act, 1998* and a Letter of Intent between the Minister of Justice and the Saskatchewan Provincial Court Judges Association. The letter of intent is to obtain legislative approval through establishment of Regulations under *The Provincial Court Act, 1998*.

** Actual ad hoc indexing awarded in January 1, 1999 by Order in Council 244/99 was 1.61% instead of expected 50% of inflation, i.e., 1.75%.

The significant long term assumptions used in determining the actuarial value of accrued pension benefits are as follows:

- * interest rate is 7.0%
- * salary escalation rate is 5.0%
- * inflation rate is 4.0%

The actuarial present value of accrued pension benefits contains a provision for ad hoc increases which are subject to Lieutenant Governor in Council approval. The ad hoc assumption is 50% of CPI based on previous year's experience. The Lieutenant Governor in Council may provide for supplementary allowances to be paid to superannuates in any year, in any amount and subject to any terms and conditions he considers advisable.

The pension liability is long-term in nature. The plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligations. Therefore, determination of the fair value of the pension liability is not practical.

The pension liability is based on a number of assumptions about future events including: salaries, interest rate, inflation, post-retirement indexing, mortality, retirement rates and termination rates. The actual rates may vary significantly from the long-term assumptions used.

The following illustrates the effect on the pension liability if the assumptions used in estimating the liabilities change:

Long-term Assumptions								
	Salary		Interest Rate		Inflation		Post-retirement Indexing	
Assumptions	4.0%	6.0%	6.0%	8.0%	3.0%	5.0%	1.5%	2.5%
(Decrease) increase in liability	(1.6%)	1.5%	13.2%	(10.8%)	(5.6%)	6.3%	(4.1%)	4.7%

The unfunded liability for the Plan is not payable immediately. The expected cash inflows from contributions and investment income and the expected cash outflows to pay the required pension obligation are calculated using the above assumptions. The net cash outflows for the next 5 years would be \$6.5 million, in the next 10 years \$16.2 million and in the next 28 years \$95.3 million.

If there are insufficient monies in the Fund to pay allowances or other payments, the Minister of Finance is obligated to pay any such deficiency out of the General Revenue Fund.

6. Due from General Revenue Fund

The Judges of the Provincial Court Superannuation Fund Bank Account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The earned interest on the bank account is calculated and paid from the General Revenue Fund on a quarterly basis into the bank account using the Government's thirty day borrowing rate and the average daily bank account balance.

7. Due from General Revenue Fund/Receivables/Payables

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair value of these financial instruments approximates their carrying value.

8. Related Party Transactions

a) Administration

Expenses associated with administering the Plan are paid out of the Fund to the Public Employees Benefits Agency Revolving Fund.

b) Investment Management Services

Greystone Capital Management Inc. (GCMI) provides investment management services to the Fund on a fee for service basis. The Fund is a shareholder in GCMI along with several other Saskatchewan public sector pension plans and other Government of Saskatchewan agencies. The Fund holds 1,341 common shares, 0.14% of the total shares outstanding in GCMI (1998 - 100 Class A shares and 1,197 Class B shares). During the year, the Class A and Class B shares were converted to common shares.

c) Investment Holding

Included in the totals for bonds and debentures are Province of Saskatchewan bonds and debentures of \$248,866 (1998 - \$149,614). Income earned on these bonds and debentures for the year totalled \$13,244 (1998 - \$11,553).

The Fund holds 56,022 (1998 - 28,233) units, 0.13% (1998 - 0.07%) of total units outstanding in the Greystone Capital Non-North American Fund. The market value of these units is \$800,996 (1998 - 363,019). Income earned and market value adjustment for these units for the year totalled \$67,977 (1998 - \$74,867).

The Fund also holds 11,431 (1998 - 9,199) units, 0.11% (1998 - 0.09%) of total units outstanding in the Greystone Capital Emerging Markets Fund. The market value of these units is \$93,647 (1998 - \$92,545). Income earned and market value adjustment for these units for the year resulted in a loss of \$15,797 (1998 - loss \$2,887).

The unitholders of the Greystone Capital Non-North American Fund and the Greystone Capital Emerging Market Fund include several Government of Saskatchewan public sector pension plans and other Government of Saskatchewan agencies.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.

9. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long term performance objectives set by the Minister. The Public Employees Benefits Agency reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over four-year rolling periods. The primary long term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	<u>1999</u>	<u>Rolling Four Year Average Annual Return</u>
Plan's actual rate of return (a)	4.6%	16.1%
Target rate of return (b)	2.8%	14.2%

(a) annual returns are before deducting investment expenses.

(b) The Plan's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Standard & Poors 500 US Stock Index and the Scotia Capital Markets Universe Bond Index.

10. Administrative Expenses

	<u>1999</u>	<u>1998</u>
Administration - PEBA Revolving Fund	\$ 42,838	\$ 35,939
Custodian Fees - Royal Trust	13,936	16,858
Investment management fees - Greystone Capital Management Inc.	<u>21,624</u>	<u>12,587</u>
	<u>\$ 78,398</u>	<u>\$ 65,384</u>

The budget for administration - PEBA Revolving Fund was \$39,696 for the year (1998 - \$26,083). Custodian and investment management fees are based on the market value of the Fund's portfolio.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.